

### Is increased cross-border mobility incompatible with redistributive welfare states? The North European case

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**Is Increased Cross-Border Mobility Incom-  
patible with Redistributive Welfare States?  
The North European Case**

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Paper presented at the „Jour-fixe-Reihe des Zentrums für Sozialpolitik“, Universität Bremen, during my stay as a visiting professor from November 2005 to February 2006 . I would like to acknowledge the inspiration I have received from discussions with my colleague Jonathon Moses in thinking about these issues. The paper is still very much work in progress and all responsibility for short-comings is solely mine.

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## Summary

The paper examines the claim that international migration and increased ethnic diversity challenge the sustainability and legitimacy of redistributive welfare states. Immigration might potentially lessen pressures related to demographic ageing, labour shortages in welfare services and the funding of future pensions in many European countries. The paper discusses three accounts of why a mutually beneficial relationship between immigration and welfare state sustainability so far has not been achieved. The first account claims that redistributive welfare states are undermined because increased immigration-based ethnic diversity diminishes social solidarity. The second account argues that immigration, especially from non-western countries, threatens the sustainability of redistributive welfare provision because there is an unfortunate interplay between the level of qualifications of immigrants and the work disincentives created by fairly generous and accessible social security benefits. The third account attributes the problems of immigrants' economic integration to discriminatory attitudes and practices of key decision-makers in the receiving countries, especially from employers and staff in employment and educational services. The paper questions the first of these accounts on theoretical and empirical grounds. The last part of the paper argues that there is a need for better longitudinal data about the employment contexts and work conditions of immigrants in receiving countries and the prevalence of discrimination, in order to enable an assessment of the relative merits of the second and third account.

Das Papier untersucht die Behauptung, dass internationale Migration und zunehmende ethnische Heterogenität die Durchführbarkeit und Legitimität des umverteilenden Wohlfahrtsstaates vor große Herausforderungen stellt. Allerdings kann Einwanderung in europäischen Ländern möglicherweise auch Probleme der demographischen Alterung, von Arbeitskräfteknappheit im Bereich sozialer Dienstleistungen und der Finanzierung künftiger Renten abmildern. In dem Papier werden drei Betrachtungsweisen daraufhin geprüft, warum eine insgesamt vorteilhafte Beziehung von Einwanderung und Tragfähigkeit des Wohlfahrtsstaates bislang nicht erreicht wurde. Nach der ersten Betrachtungsweise wird der umverteilende Wohlfahrtsstaat gefährdet, weil die durch Zuwanderung gesteigerte ethnische Heterogenität die soziale Solidarität schwinden lässt. Die zweite Argumentationslinie bezieht sich darauf, dass die Zuwanderung von Personen – insbesondere aus nicht-westlichen Ländern – mit niedrigem Qualifikationsniveau unverträglich ist mit den negativen Arbeitsanreizen, die durch recht generöse und leicht zugängliche Leistungen des Wohlfahrtsstaates gesetzt werden. Die dritte Betrachtungsweise schließlich sieht die Ursachen der Probleme ökonomischer Integration von Immigranten in diskriminierenden Einstellungen und Praktiken von Entscheidungsträgern in den Empfängerländern, wozu insbesondere Arbeitgeber und das Personal in Einrichtungen der Arbeitsmarktpolitik und anderen sozialen Dienstleistungsorganisationen zu rechnen sind. In dem Papier wird die erste Betrachtungsweise aufgrund von theoretischen Überlegungen und empirischen Befunden zurückgewiesen. Im Schlussteil wird argumentiert, dass bessere Längsschnittdaten zu den Beschäftigungskontexten und Arbeitsbedingungen von Immigranten sowie dem Vorkommen von Diskriminierungen erforderlich sind, um eine Einschätzung der Gültigkeit der zweiten und dritten Argumentationslinie vornehmen zu können.

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## 1 Introduction

This paper examines the evidence for claiming that increased international migration and redistributive welfare states are incompatible. Recently politicians, journalists as well as academics have suggested that international migration undermines the solidarity foundations of welfare states. Large, encompassing and redistributive welfare states of the Nordic kind are claimed to be at particular risk. Even if they rapidly seem to become parts of the conventional wisdom, there are several reasons for raising doubt about the validity of these claims, both on theoretical and methodological grounds. The paper highlights these reasons by discussing different views on the relationship between international migration and the sustainability of welfare states, new empirical indications about this relationship and suggestions for further research in this area.

First, it can be observed that most of the existing cross-national comparative research on welfare state restructuring and reform does not attribute an important role to international migration or increased cross-border mobility<sup>1</sup>. Usually other factors are seen as more important in driving changes in welfare states. For instance, Pierson (2001) argues that demographic ageing combined with a trend toward shorter and more compressed working careers, the maturing of welfare provisions, slower growth in productivity and changes in household structures are more significant factors than pressures related to increased economic openness and mobility across borders. Others like Scharpf (2000) emphasises international challenges, e.g. job losses in the industrial sector caused by the oil crises and intensified competition, but do also point to institutional factors like employment-unfriendly tax structures, regulations protecting those already in employment and veto-points as obstacles to adjustment to the new external conditions. A number of scholars have stressed the interplay of factors like power relations between different political forces, social partners and other organised actors, as well as distinct cultural and ideological legacies, in determining the degree and direction of welfare reform (e.g. Huber/Stephens 2001). When international migration and cross-border mobility has not figured more centrally in existing comparative research on welfare state change and reform this may of course be the result of an oversight but could also indicate that other factors like for instance demographic ageing are more important challenges.

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<sup>1</sup> Important exceptions are Bommes/Geddes 2000; Boeri 2002; Tranæs/Zimmermann 2004 and Ferrara 2004, 2005.

## 2 Does immigration-based heterogeneity challenge the solidarity basis for welfare states?

Some scholars have discussed international migration as a challenge to welfare states on the basis on a set of theoretical conditions for establishing and maintaining arrangements for encompassing, generous and redistributive public welfare provision, giving concepts like social cohesion or solidarity a key role. By and large, they claim that solidarity and preparedness to share risks or resources presuppose a combination of the following interrelated factors:

- high degree of perceived homogeneity (“imagined sameness”), promoting mutual identification among the members of the social system in question,
- a sense of reciprocity or reasonable balance between contributing and receiving on the part of the members, and
- territorial or social “boundedness” of membership and coverage, involving a demarcation towards those who do not belong to “us”.

The three factors have been given different emphasis or elaboration by different authors. For instance, Alesina and Glaeser (2004) emphasise the degree of ethnic homogeneity. They argue that Europe’s growing immigrant-based heterogeneity may eventually push the continent toward the lower level of redistribution found in the United States. They claim that American racial fractionalization can explain approximately one-half of the difference in the degree of redistribution between the United States and Europe. By contrast, Offe (2000) focuses on territorial boundedness, claiming that it is only among members of a nation state that one can expect mutual trust and solidarity sufficient to support redistribution. Others have referred to the more general idea that a sense of common bonds, ‘belongingness’ or attachment to a common national territory is a necessary precondition for commitment to redistributive justice (van der Mei 2003: 5n).

Both on theoretical grounds and on the basis of existing knowledge about the historical emergence of welfare states one may question the general validity of the combination of homogeneity, reciprocity and boundedness as necessary conditions for solidaristic or redistributive welfare arrangements. Understood as an account of the conditions for the formation and maintenance of basic social units like tight and cohesive groups, small scale communities, networks where members have close ties, and even spontaneous local welfare arrangements, it may be appropriate. It is, however, highly questionable whether this is a suitable or sufficient framework for understanding the mechanisms promoting cohesion in complex modern societies, where relations between people are to a great extent mediated and indirect, rather than face-to-face.

The modern welfare state is a key expression of indirect and mediated social relations within a large population. The historical emergence of modern welfare states is largely the story of efforts to establish viable alternatives to local welfare arrangements based on social proximity and homogeneity. The latter had generally proved unable to provide sufficient protection against risks and contingencies in industrial society (see de Swaan 1988 on the failure of workers’ mutualism and Baldwin 1990 on homogenous risk community).

The alternatives to local and voluntary welfare arrangements had to handle and preferably prevent challenges like adverse selection, accumulation of risk and exclusion of ‘bad risks’ and ‘inferiors’ (people with lower status and less means). Thus the alternatives had to provide for complementariness of claims and resources to ensure a higher degree of redistributive effect. Moreover, given the greater mobility within industrial society these alternatives had to be national or at least regional in scope, that is, superseding the boundaries of local communities (Ferrera 2003, 2005). To the extent that the conceptual distinctions of 19<sup>th</sup> century classical sociology have any relevance today, the solidarity expressed in the modern welfare state cannot fully be accounted for by Durkheim’s (1984) ‘mechanical solidarity’ or Tönnies’ (1955) ‘Gemeinschaft’; the complementarity and heterogeneity associated with “organic solidarity” and “Gesellschaft” are equally important. Generally speaking, this implies that the degree of perceived interdependence of services and contributions, and the resulting shared practical utility, may as significant as perceptions of being equal and similar, for solidarity and the willingness to share risks between a given number of actors. If so, a key issue becomes to what extent all the actors the question have a fair chance of being perceived as providers of services of contributions of value or utility for others (and through this, for ‘the society as a whole’).

Like other sets of broad assumptions or axioms it is difficult to confirm (or falsify) empirically the reasoning behind the claim that perceived homogeneity or sameness is crucial. For instance, it is possible to make inferences from the results of small-scale group experiments within social psychology, but again the relevance of these inferences for understanding the working of large and complex systems like modern societies is questionable. Alternatively one may make inferences from cross-national comparisons of macro-level or aggregate indicators as Alesina and Glaeser (2004: 133-146) do. They find a strong negative correlation between the level of social expenditure as a percentage of the gross domestic product (GDP) and their indicator of “racial fractionalization” in a sample of 54 countries, from all parts of the world and at different stages of economic development and modernization. They do not explain the rationale for using this particular sample of countries. Given that the modern welfare state largely emerged as an institutional system as a response to industrialisation and urbanisation, it is also striking that Alesina and Glaeser appear not to have included variables related to the degree of economic modernisation in their analyses. Moreover, they do not present the statistical sources for their indicator of racial fractionalization, or discuss possible problems of validity and reliability, given that few official national population statistics use “race” (or even “ethnicity”) as a standard variable. Neither do they discuss how suitable the level of social spending (as percentage of GDP) is as an indicator of the degree of redistribution, given that the same level of social spending may be associated with different degrees of horizontal versus vertical redistribution. Finally, if one undertakes an analysis of the bivariate relationship between their indicator of racial fractionalization and social expenditure as percent of GDP, but limited to Western European countries plus the USA, it becomes clear that the only reason that one obtains a significant negative correlation between the two variables is that the US is an extreme outlier both in terms of racial fractionalization and level of public social spending. Yet, the views of Alesina and



Glaeser appear to have had substantial impact and their general arguments ought therefore to be taken seriously. The best way to do this is to examine empirically what implications these arguments would have if applied *within* the European context.

### **3 Provisional empirical assessment of the relationship between international migration, ethnic diversity and welfare states**

In line with the kind of reasoning that Alesina and Glaeser represent one could formulate the following hypotheses:

- (H1) The larger net inflow of immigrants, the stronger trend towards a decrease in the level of social expenditure over time.
- (H2) The higher the proportion of foreign born inhabitants and in particular of inhabitants born in non-Western countries, the lower level of social expenditure a country would have.

However, in the current public and academic debate almost the opposite relationships have also been suggested. From this perspective it is rather argued that high levels of social welfare provision in European welfare states serve to attract migrants, especially migrants from non-Western countries ('welfare magnets') and that a growing proportion of immigrants in the total population will lead to greater demand for welfare provisions and thus an increase in expenditure, that is, the following hypotheses:

- (H3) The larger the net inflow of immigrants, the stronger trend towards an increase in the level of social expenditure over time.
- (H4) The higher level of social expenditure a country have, the higher the proportion of foreign born inhabitants, and in particular of inhabitants born in non-Western countries.

A third perspective is that both these sets of assumptions are incomplete, imprecise or too simplistic. Arguably we need to take into a broader set of institutional and economic factors that may affect migration and its impact of welfare provision. We will return to some institutional factors later and will here concentrate on two economic factors; the overall level of economic affluence in a country and the overall availability of jobs in a country. Arguably potential immigrants' perception of these two factors may be of greater significance for their decision to (seek to) move to a particular country, consequently we would expect:

- (H5) The volume of net migration increases with the level of general economic affluence and decreases with the level of unemployment in receiving countries, and is only secondarily or marginally affected by the level of social expenditure in these countries.
- (H6) The proportion of foreign born inhabitants increases with the level of general economic affluence, and decreases with the level of unemployment in receiving countries, and is only secondarily or marginally affected by the level of social expenditure in these countries.

Finally, it may be argued that change in and level of overall social expenditure in receiving countries are primarily influenced by other contextual factors like general labour market and demographic developments, and to less extent by the volume of net migration or the proportion of foreign born inhabitants, that is:

- (H7) Overall social expenditure increases with higher levels of unemployment and old age dependency, and is only marginally affected by the volume of net migration or the proportion of foreign born inhabitants.

- (H8) The level of overall social expenditure depends primarily on the level of unemployment and old age dependency, and is only marginally affected by the proportion of foreign born inhabitants.

### 3.1 Data

The data used to undertake this provisional assessment are compiled from different Eurostat, OECD and UN sources. The units of analysis are European countries.

**Net migration:** The Eurostat provides estimates for the level of net migration in the EU and EEA countries. In principle, net migration is the difference between immigration into and emigration from the area during the years. As most countries do not have accurate or complete figures on immigration and emigration, the Eurostat has estimated net migration on the basis of the difference between population change and natural increase between two dates. Here especially population change is likely to be somewhat inaccurate. With the necessary caveats Eurostat's figures for net migration rates will be used as the third key variable (Eurostat 2005c; EC 2005a).

**Foreign born inhabitants:** On the basis of existing national sources the OECD has recently collected and presented new estimates for the proportion of foreign born inhabitants in their member states around the year 2000. This will be the second of our key variables (OECD 2005b & 2005c). The OECD has also sought to compile national statistics about the country where people were born ('country of origin'). Unfortunately, in some of the OECD countries this information is missing for a substantial part of the group in question, making it impossible to compare the compositions of national background of the foreign born between these and other OECD countries. For the remaining OECD countries we have sought to establish a figure for the proportion of the foreign born with 'non-Western background', that is, from Africa, Asia, Latin America and the Caribbean (excluding Europe, North America and Oceania). Again results involving this third key variable should be interpreted with caution, since there are uncertainties related to the registration of the country of origin and as this information is only reasonably systematic for 15 European OECD-countries.

**Table 1: Indicators of the volume of migration and diversity by groups of European countries**

	(A) Net migration per 1000 population (mean 1992-2001)	(B) Foreign born inhabi- tants. Percent of total population around 2000	(C) Foreign born inhabi- tants of non-Western background. Percent of total population around 2000
<b>Geo-political groups of Euro- pean countries</b>			
<b>Nordic countries</b>			
<i>Mean</i>	2.1	7.2	2.7
<i>Range</i>	1.5	9.5	4.2
<b>Continental countries</b>			
<i>Mean</i>	3.3	15.8	4.5
<i>Range</i>	8.9	22.6	3.3
<b>Mediterranean countries</b>			
<i>Mean</i>	4.6	7.3	3.0
<i>Range</i>	8.7	4.7	3.0
<b>Western countries</b>			
<i>Mean</i>	3.0	9.4	3.1
<i>Range</i>	1.7	1.7	3.2
<b>Central and Eastern European countries</b>			
<i>Mean</i>	-2.5	3.0	0.1
<i>Range</i>	8.0	2.4	0.2

**Explanatory note:**

Nordic countries (Denmark, Finland, Norway and Sweden)

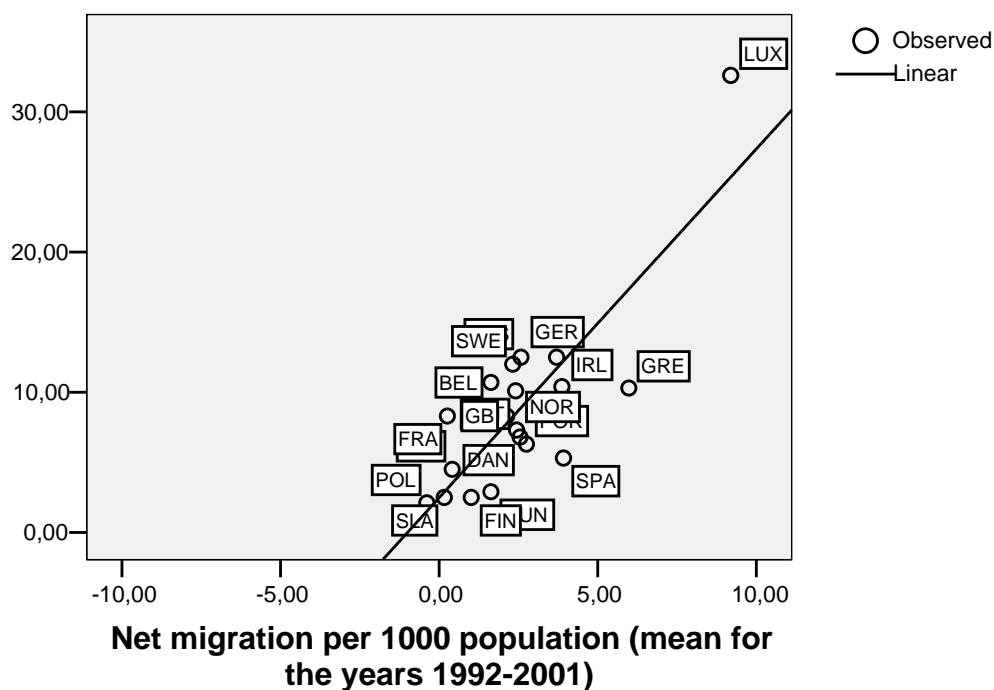
Continental countries (Austria, Belgium, France, Germany, Luxembourg, the Netherlands, Switzerland)

Mediterranean countries (Cyprus, Greece, Italy, Malta, Portugal, Spain)

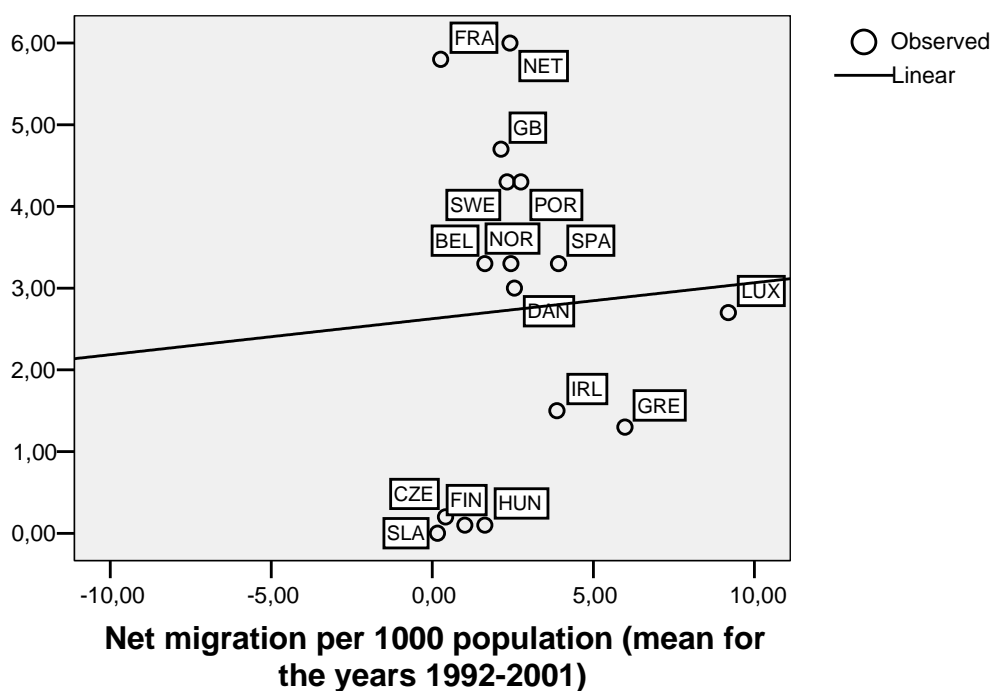
Central and Eastern European countries (Estonia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia)

Sources: Net migration (Eurostat 2005c), foreign born inhabitants (OECD 2005b, 2005c).

**Fig. 1 Foreign born inhabitants in European countries around 2000. Percent of total population**



**Fig.2 Foreign born inhabitants of non-Western background in European countries around 2000. Percent of total population**



As can be seen from Tbl. 1 there is large spread within each of the main geo-political groups of European countries on these three indicators of migration and ethnic diversity. But even with this reservation it seems quite clear that the Central and Eastern European countries had less net (im-)migration and ethnic diversity than the other three groups of countries. In fact, most of the Central and Eastern European countries had negative net migration in the period covered (and that was before the EU enlargement). Luxembourg distinguishes itself by having an exceptionally high proportion of foreign born inhabitants, as well as a high volume of net migration (Fig. 1). Tbl. 1 does not, however, indicate that the Nordic welfare states with their encompassing and redistributive provisions have attracted more immigrants than the other groups (apart from the Central and Eastern European group). Rather the figures suggest that geo-political proximity to the borders of Europe, status as a former colonial power or the level of general economic affluence of a country are more important than the generosity of welfare provisions in influencing the volume of net migration or degree of ethnic diversity at the turn of the millennium. For instance, it is striking that the former colonial powers France, the Netherlands, Great Britain and Portugal are among the countries with the highest proportion of the population with non-Western background (Fig. 2).

### **3.2 Analysis and findings**

#### **Does the volume of net migration affect trends in social expenditure over time (H1 and H3)?**

First we adopt the difference in social expenditure (as percent of gross domestic product - GDP) between 1991-93 and 2000-2002 as indicator of trends in social expenditure (Eurostat 2003b, 2005b). For the volume of net migration we use the mean of net migration rates in the period 1992-2001. We find a weak positive and non-significant relationship between these two variables (Pearson correlation: .18,  $n=16$ ). Second we adopt the percentage change in social expenditure per inhabitants in purchase power standards (PPS) between 1991-93 and 2000-2002 as indicator of the trend in social expenditure (Eurostat 2003b, 2005b). We find a somewhat stronger positive but still non-significant relationship between this variable and the volume of net migration (Pearson correlation: .45 ( $n=16$ )).

#### **Does the proportion of foreign born inhabitants affect trends in social expenditure over time (H2 and H4)?**

We find a weak positive and not significant relationship between social expenditure change in terms of percent of GDP and the proportion of foreign born inhabitants (OECD 2005b, 2005c) (Pearson correlation: .22,  $n=16$ ). If we use the proportion of foreign born inhabitants with non-Western background, the positive relationship more or less disappears (Pearson correlation: .12,  $n=13$ ). Between the variable change in social expenditure per inhabitants in PPS and the proportion of foreign born inhabitants or the proportion of foreign born inhabitants with non-Western background there is no positive relationship (Pearson correlations: .04 ( $n=16$ ) and -.06 ( $n=13$ ) respectively).

All in all the findings presented so far do not support the hypotheses outlined above (H1, H2, H3 and H4). In other words these results indicate that the volume of net migration and

the proportion of foreign born inhabitants in a country are not important factors in explaining reduction or growth in this country's overall trend in social expenditure.

**What role does the level of social expenditure in a country play in explaining the volume of net migration? (H5 & H6)**

As indicator of the volume of net migration we use the mean of the net migration rates for the years 1995-2002. The level of social expenditure is measured by the percent of GDP spent on social protection (mean 1995-2002)<sup>2</sup>. Furthermore we adopt a country's GDP per inhabitants in PPS as indicator of this country's level of overall affluence (mean 1995-2002). Finally, standardised unemployment rates (mean 1995-2002) are used as indicator of a country's overall scarcity of jobs (OECD 2005a, EC 2005a).

As expected there is a positive and significant relationship between the volume of net migration and the level of overall economic affluence in a country (Pearson correlation: .59, n=25), and a negative and significant relationship between the volume of net migration and the overall scarcity of jobs in a country (Pearson correlation: -.52, n=26). There is still only a weak positive and non-significant relationship between the volume of net migration and the level of social expenditure (Pearson correlation: .24, n=25). When we undertake a linear regression analyses with net migration as dependent variable, only overall economic affluence comes out with a significant effect (Appendix, model 1).

**What role does the level of social expenditure in a country play in explaining the proportion of foreign born inhabitants? (H5 & H6)**

Apart from the OECD figures for proportion of foreign born inhabitants around year 2000 we use the same variables as under (III). We find a positive and significant relationship between the volume of net migration and the level of overall economic affluence in a country (Pearson correlation: .79, n=19), and a negative and significant relationship between the volume of net migration and the overall scarcity of jobs in a country (Pearson correlation: -.60, n=20). Again there is only a weak positive and non-significant relationship between the proportion of foreign born inhabitants and the level of social expenditure (Pearson correlation: .16, n=20). When we undertake a linear regression analyses with the proportion of foreign born inhabitants as dependent variable, only the overall economic affluence comes out with a significant effect (Appendix, model 2).

The picture is, however, strikingly different when we focus on the proportion of foreign born inhabitants with non-Western background. There is a positive and significant relationship between this proportion and the level of social expenditure (Pearson correlation: .59, n=16). Conversely we find weaker and non-significant relationships between the proportion of foreign born citizens with non-Western background and the level of overall economic

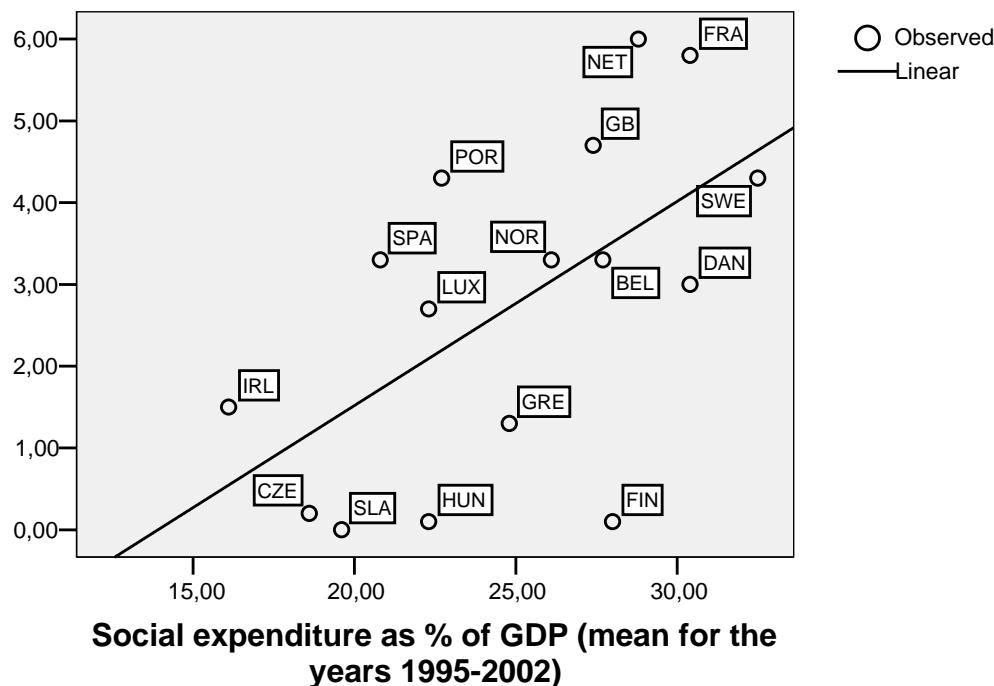
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<sup>2</sup> In this case social expenditure per inhabitants in PPS is less suitable as indicator of the level of social spending because of its strong correlation with the indicator of overall economic affluence in a country (Pearson correlation: .92, n=25).

affluence and scarcity of jobs in a country (Pearson correlations .43, and -.37 respectively,  $n=16$  in both cases).

Yet, a country's level of social expenditure does only to a limited extent predict its proportion of population with a non-Western background (Adjusted R square = .30). For instance it can be noted that five main colonial powers have higher proportions of population with non-Western background than their levels of social expenditure suggest (Fig.3).

**Fig.3 Proportion of foreign born inhabitants of non-Western background by level of social expenditure in European countries**



All in all the results in this section have broadly given support to the next two hypotheses presented above (H5 and H6). The factor with greatest influence on the volume of net migration is the general economic affluence of the receiving country, while the level of social expenditure has no significant effect. When we consider a country's proportion of foreign born inhabitants in general it is also the overall economic affluence that is the most important factor, while the level of social expenditure has a minor role<sup>3</sup>. The exception to this conclusion is the proportion of foreign born inhabitants with non-Western background, where the receiving country's overall level of social expenditure appears to have a limited but significant effect.

<sup>3</sup> In this context it is interesting to note that in their analysis of European Social Survey data Coenders et al. (2005: VII) found that the level of GDP of a country had consistently *negative* effects of the degree of ethnic exclusionary attitudes among respondents; the higher the GDP, the lower ethnic exclusionism.

Let us again shift perspective again and ask what factors influence change in and level of a country's social expenditure (H7 and H8):

**What challenges have affected trends in social expenditure from the early 1990s to first years of the new millennium?**

We have already seen that there are no clear and significant relationships between the three variables on migration and ethnic diversity at our disposal and the variable used for change in the level of social expenditure. Two factors that have figured centrally in the debate on public social expenditure are demographic ageing and unemployment. Demographic ageing means that a larger proportion of the population will require income transfers while the proportion of the total population in paid employment will diminish. Thus demographic ageing has recently stimulated a number of reforms, for instance aiming to control the financial pressure created by pension entitlements, increase rates for labour market participation, and encourage people to remain longer in employment. Still in the short run one would expect demographic ageing to contribute to an increase in social expenditure. As indicator of demographic ageing we use the difference in old age dependency ratio between the early 1990s and in the early 2000s. Here old age dependency ratio refers to population aged 65 and more as a percentage of the working age population (15-64 years, cf. EC 2005a). We find a positive and significant relationship between the change in the level of social expenditure (as percent of GDP) and the change in old age dependency ratio (Pearson correlation: .53,  $n=16$ ).

Generally speaking one would also expect increased level of unemployment to lead to higher social expenditure, and vice versa. Again we find a positive and significant relationship between increase in the level of unemployment between the early 1990s and the early 2000s and change in social expenditure in the same decade (Pearson correlation: .74,  $n=17$ ). When we undertake a linear regression analyses with the change in overall social expenditure from the early 1990s to the early 2000s, we find that only the change in the level of unemployment has a significant effect (Appendix, model 3).

**What is the impact of the proportion of foreign born inhabitants with non-Western background, relative to other factors that influence the level of social expenditure at the turn of the millennium?**

In line with what we have found earlier there is a positive and significant relationship between the proportion of foreign born inhabitants with non-Western background and the level of social expenditure (Pearson correlation: .56,  $n=16$ ). Moreover, in a European context one would expect that richer countries were able to spend relatively more of available resources on social expenditure than poorer countries, and there is indeed a positive and significant relationship between the overall affluence in a country and its level of social expenditure (Pearson: .50,  $n=25$ ). Other things equal one would also assume that the higher level of unemployment a country has the higher its level of social expenditure. But in our sample a contrary effect comes out as stronger; the poorer countries tend to have the highest level of unemployment. Consequently there is negative and significant relationship between the level of unemployment and the level of social expenditure as per cent of GDP (Pearson



correlation:  $-.49$ ,  $n=26$ ). We do however, find the expected positive and significant relationship between a country's old age dependency ratio and its level of social expenditure (Pearson correlation:  $0.56$ ,  $n=25$ ). In regression analyses with level of level of social expenditure as dependent variable we find that the model with the greatest predictive power has old age dependency ratio and proportion of the population with non-Western background as independent variables (Adjusted R Square=  $.53$ ). Only old age dependency ratio has a significant effect (Appendix, model 4).

All in all the results presented in this section give partial support to the hypotheses spelled out above (H7 and H8): In the fairly short time span studied here change in unemployment is a more important predictor of *change* in a country's level of social expenditure than change in old age dependency, while the findings suggest that the fairly crude indicators of volume of migration and ethnic diversity available here do not have any strong impact on change in a country's overall social expenditure. On the other hand, old age dependency does have a clear effect on the *level* of social expenditure, but we somewhat unexpectedly found that the level of unemployment in these data was negatively correlated with level of social expenditure. Finally, the proportion of a country's population with non-Western background does have an effect on the level of social expenditure, although this effect is weaker than the effect of the old age dependency ratio.

### 3.3 Implications of the provisional analysis

First it should again be emphasised that the results of this provisional assessment should be interpreted with caution, given the limitations of the data. But even if the results are provisional and fairly complex they do suggest that many of the current claims that international migration and ethnic diversity in general are undermining the redistributive welfare state are too simplistic and unnecessarily alarmist. To the extent that migration, especially from non-Western countries, does represent a challenge to European welfare states we need more thorough and detailed research about the *mechanisms* or causal processes behind this challenge. In the rest of the paper we will briefly consider some possible mechanisms and how their interrelationships so far are insufficiently explored and understood.

#### **4 Possible mechanisms behind migration's challenge to European welfare states: (i) the interplay of disqualifications and disincentives**

A growing body of research deals more directly with the economic impact of increased international migration on European welfare states. In general terms it is argued that high levels of economic affluence and incomes, and more specifically high levels of public welfare provisions in these countries, are attracting migrants from non-Western countries. Moreover, it is often focused on different factors related to the particular historical circumstances of how immigration from non-Western countries started in the period of strong economic growth after the Second World War - and later developed after the introduction of more restrictive regimes for labour immigration (e.g. a relative shift towards family reunification and influx of refugees). It is argued that these factors have contributed to an unfavourable composition of the population of first generation immigrants, and not the least, to a serious deficit of vocational qualifications in a great section of this population. This deficit has been reinforced by problems of judging the equivalence, relevance and quality of the education immigrants have from their country of origin, and many immigrants' insufficient command of the language of the host country.

Some scholars have also argued that the pattern of migration of 'less productive workers' to some Western welfare states has also been promoted by the relatively compressed wage distribution in these countries (Røed/Bratsberg 2005).

As non-Western immigrants' level of vocational qualifications tend to be low they have also tended to become concentrated in low-skilled and low-paid occupations or types of work. Relatively generous income maintenance benefits in the host countries might therefore function as disincentives to work for many of these immigrants (to the extent that they fulfil eligibility conditions, for instance regarding earnings, paid contributions or time of residence in host country).

- economically inactive people,
- unemployed, particularly long-term unemployed people,
- poor people, and
- people claiming and receiving public benefits.

A growing body of statistical studies has documented these patterns (e.g. Bauer et al. 2000; Blume et al. 2005; Boeri et al. 2002; Bommers/Geddes 2000; Dahl 2004, 2005; Ekhaugen 2005; Franzen 2004; Garson/Loizillon 2003; Gaasø 2004; Kirkeberg/Kleven 2005, Mogenssen 2000; Riphahn 1998, 1999, 2004; Rudiger/Spencer 2003; Røed/Bratsberg 2005; STATISTICS NORWAY 2004a, 2005a, 2005b; Tranæs/Zimmermann 2004; Wadensjö 2000).

At the same time there are striking differences in these respects between non-Western immigrants with different national backgrounds. These differences do not easily lend themselves to the kind of explanations indicated above, basically involving the net result of selective processes of immigration, incentive structures and vocational qualifications structures. Rather these differences according to national background suggest that other or additional factors are important, e.g. possibly cultural factors, factors related to the particular

situation of different immigrant cohorts or related to various responses to immigrants in the host society.

Through a combination of more comprehensive longitudinal or panel data and improved techniques of analysis we have now also a better idea about the ‘typical’ labour market and claimant careers of non-Western immigrants in European countries. For instance these data show that non-Western immigrants have difficulty in increasing their levels of income to the level of natives and Western immigrants. Available panel data tend, however, to be best on particular individual factors, for instance related to skill-levels, earnings, spells of unemployment and illness, or macro-economic factors like the overall level of expansion and employment growth when the immigrant arrived in the host country and later.

Dynamic data on changes in institutional or meso-level factors are, however, more scarce or missing, like the shifting demand for labour in the most relevant labour market segments, employers’ policies of hiring and recruitment, type of employment contracts and job security offered, working time arrangements, health hazards exposure in different phases of the work career etc. Thus we know that several kinds of health problems are overrepresented among middle aged and older immigrants, but not to what extent these problems have been caused or reinforced by the work-related factors.

In some cases this direction of research has also been elaborated in the direction of public opinion reactions and political responses to a situation where non-Western immigrants are overrepresented among the economically passive, the unemployment and recipients of public welfare provisions. It has been suggested that immigrants’ level of economic inactivity, unemployment and benefit reciprocity has led to or reinforced negative opinions in the native population towards immigration and non-Western immigrants, and that this may also partly explain the support for populist, anti-immigration or even racist political forces. What we do know from a number of surveys is that substantial proportions of respondents reply that immigrants wish to exploit and abuse public welfare provisions or too easily enjoy public goods they have not contributed in creating (Blom 2004b; Hellevik 1996). These negative opinions tend more frequently to be held by men, elderly people, people in the geographical periphery, people with low level of education and people with low income (see also Coenders et al. 2005).

## **5 Possible mechanisms behind migration’s challenge to European welfare states: (ii) discrimination and social barriers to equal opportunities**

In recent years a third political and scholarly perspective has become more salient in Europe. Addressing many of the same empirical aspects of immigrants’ economic and social integration as the former direction of research, this perspective to some extent turns around the direction of cause and effect. It is argued that the marginal economic and social situation of people with immigrant backgrounds, and non-Western backgrounds in particular, to a great extent is the result of the ways in which key actors in receiving countries have

responded to immigration and new ethnic diversity. The key actors in question include first of all political and administrative decision-makers, employers and leaders of trade unions, but also the native population in general.

The clearest examples of this kind of response occur when people of immigrant backgrounds have been exposed to direct or indirect discrimination on the part of decision-makers in the host country, for instance in the context of hiring practices (Rudiger and Spencer 2003; Røed/Bratsberg 2005). *Direct discrimination* means that people are put at a disadvantage on the grounds of their immigrant or ethnic background, through other people's stereotypes ('statistical discrimination'), prejudices, ignorance or simply personal dislike of persons with ethnic or national background different from their own.

But to the extent that responsible public authorities do not speak up against discrimination, do not attempt to inform and change the attitudes of people – or at least signal that some attitudes and behaviours vis-à-vis immigrants and ethnic minorities are socially unacceptable – and do not sanction people who commit discrimination on the grounds of ethnicity, this neglect or negligence will in itself be a social obstacle to equal treatment of people of immigrant or ethnic minority background. Similarly, lack of attention and adjustment to the special requirements of people with immigrant background on the part of educational or vocational training institutions and their staff will also serve to maintain the disadvantaged position of people with this background. Many immigrant children's and youth's poor educational results cannot simply be attributed to 'immigrants culture' or lack of motivation, interest or efforts but might equally well be caused by educational system's lack of flexibility, responsiveness and accommodation to the situation of immigrant children and youth, for instance their prior skills in the language of the host society. Some would also argue that lack of these forms of neglect or negligence amount to a form of *institutional discrimination*.

A further aspect of this perspective is that it to a greater extent addresses the situation of second and subsequent generations of immigrants, and more generally, the situation of people of belonging to ethnic minorities, both old and new. Hence this perspective more often deals with the variable experiences of individuals with immigrant background in the educational system of the host society and in particular the experience that even highly qualified persons with perfect command of the native language have in finding work in the labour markets of host countries.

Data about the prevalence of direct or institutional discrimination on the grounds of ethnicity or immigrant background are less frequent and less systematic than data about rates of economic participation, unemployment, poverty and benefit reciprocity. A number of small scale studies of an experimental nature do, however, indicate that discrimination occurs quite often. For instance, these studies have shown that people with non-Western names much less frequently are called to job interviews than other job applicants, other factors taken into account. When the same job applicants have written a more native-looking name in their applications, they to a greater extent achieved to be interviewed (and in some cases even given the job). There are also examples of individuals with non-Western names who

have applied for legal permission to change their name after several years of unsuccessful job applications and then actually got a job. ILO has developed a format of experimental studies of ethnic discrimination but in several countries one has been reluctant to adopt this format for research ethical reasons (Røed/Bratsberg 2005).

Nevertheless, with the advent of the European Union anti-discrimination directives of July and November 2000, most European countries have introduced stronger legal provisions against ethnic discrimination or are about to do so. Together with the monitoring work undertaken by the Council of Europe related to the incorporation and implementation of human rights conventions the monitoring and follow-up of the EU directives are gradually bringing forward more material about the extent to which people with immigrant or ethnic minority background are discriminated against. Public or semi-public supervisory and voluntary advisory agencies are also producing more case-material about ethnic discrimination at national level.

In relation to what is often said about the traditional ethnic homogeneity of many Western countries (see for instance general statements about this from Alesina/Glaeser 2004) it is worth stressing that very few European countries are without long historical experience with various indigenous groups (Sami, Inuits), 'old' ethnic minorities or even groups with roots back to earlier immigration from non-Western countries (e.g. Jews, Gypsies, Romani, Sinti, etc). In addition to this, many countries have directly or indirectly a colonial past and been involved in slave trade (even to some extent Denmark and indirectly Norway). In the case of Norway the sizeable merchant marine that the country had from the end of the mid-19<sup>th</sup> century and the greater part of the 20<sup>th</sup> century has influenced many Norwegian to people from Southern Europe and countries outside the Western world. It is also likely that the substantial Christian mission activity undertaken in Africa and Asia has affected the way in which people in Western Europe have perceived people from these countries. Altogether this suggests that the public opinion about people with non-Western or ethnic minority background has more complex preconditions than solely the recent experience with immigration, and that the perceptions and mental schema that make ethnic discrimination possible is likely to have a long prehistory.

Finally, one would on the basis of this perspective raise critical questions about the role of the mass media in confirming, maintaining and even reinforcing negative perceptions, stereotypes and prejudices against people with immigrant or ethnic minority background. Similarly, it would ask whether the framing and wording of questions in opinion surveys about immigration and immigrants express an attitudinal bias that will easily confirm rather than challenge people's prior perceptions. For instance in a survey carried out in Norway in the mid-1990s one of the items presented to the respondents was: "Immigrants wish to abuse our welfare provisions and enjoy benefits they have not themselves contributed to create"<sup>4</sup> (Hellevik 1996: 122). In the years 2002-2005 the Norwegian government depart-

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<sup>4</sup> A somewhat similar item was included in the European Social Survey 2002-2003; "Taxes and services: do immigrants take out more than they put in?" (Coenders et al. 2005: 61)

ment responsible for migration issues commissioned the Statistics Norway to carry out repeated surveys with the same series of survey questions where one of the items presented to respondents was: “Most immigrants are abusing the social welfare provisions” (Blom 2005b).

In future research it is strongly desirable that the perspectives emphasising the interplay disqualification/disincentives and discrimination respectively to a greater extent are confronted with each other, empirically and theoretically. Only by balancing the two against each other we will be able to understand the interplay between the agency and choice on the one hand and the structural constraints and opportunities facing people with immigrant background in European societies. In order to do that we need more systematic research-based knowledge about the discrimination and other obstacles to integration and equal opportunities created by the nature of institutional contexts and decisions of key actors in the host societies.

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## Appendix:

### Results of regression analyses on migration and social expenditure

#### *Model 1*

Dependent variable:	Independent variables ('predictors')	Standardised coefficient	T (test value)
Net migration rate (mean 1995-2002)	Level of social expenditure as % of GDP (mean 1995-2002)	-,236	-1,22
	Unemployment rate (mean 1995-2002)	-,062	-,285
	GDP per inhabitants in PPS (mean 1995-2002)	,761	3,14
	Adjusted R square: ,41		
	N=24		

#### *Model 2*

Dependent variable:	Independent variables ('predictors')	Standardised coefficient	T (test value)
Proportion of foreign born inhabitants around 2000	Level of social expenditure as % of GDP (mean 1995-2002)	-,208	-1,285
	Unemployment rate (mean 1995-2002)	-,068	-,341
	GDP per inhabitants in PPS (mean 1995-2002)	,827	3,99
	Adjusted R square: ,61		
	N=18		

**Model 3**

<b>Dependent variable:</b>	<b>Independent variables ('predictors')</b>	<b>Standardised coefficient</b>	<b>T (test value)</b>
Change in level of social expenditure between the early 1990s and the early 2000s	Change in old age dependency ratio between the early 1990s and the early 2000s	,241	1,19
	Change in level of unemployment between the early 1990s and the early 2000s	,622	3,07
	Adjusted R square: 0,53		
	N=15		

**Model 4**

<b>Dependent variable:</b>	<b>Independent variables ('predictors')</b>	<b>Standardised coefficient</b>	<b>T (test value)</b>
Level of social expenditure (mean 2000-2002)	Proportion of population with non-Western background	,394	1,94
	Old age dependency ratio (mean 2000-2002)	,505	2,54
	Adjusted R square: ,53		
	N=15		